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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended May 2, 1992

Commission file number 33-27126

PEEBLES INC.

Virginia (State of Incorporation)	54-0332635 (I.R.S. Employer Identification No.)
One Peebles Street South Hill, Virginia 23970-5001 (Address of principal executive offices)	(804) 447-5200 (Telephone Number)

Indicate by check (x) whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x . No .

As of May 2, 1992, 2,913,562 shares of Common Stock of Peebles Inc. were outstanding.

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PEEBLES INC.

CONDENSED BALANCE SHEET

(dollars in thousands, except per share amounts)

	May 2, 1992 (Unaudited)	February 1, 1992	May 4, 1991 (Unaudited) (Restated)
A S S E T S			
CURRENT ASSETS			
Cash	$ 246	$ 97	$ 106
Accounts receivable, less allowance for doubtful accounts of $1,345, $1,345, and $1,355, respectively	24,864	28,392	26,353
Merchandise inventories	42,135	39,767	42,649
Prepaid expenses	961	606	954
Other current assets	2,652	4,533	828
TOTAL CURRENT ASSETS	70,858	73,395	70,890
PROPERTY AND EQUIPMENT, net	18,772	18,435	18,375
BUILDINGS UNDER CAPITAL LEASE, net	1,720	1,784	1,918
OTHER ASSETS			
Excess of cost over net assets acquired, net	41,714	42,136	69,839
Other	9,598	9,815	15,031
	51,312	51,951	84,870
	$142,662	$145,565	$176,053
L I A B I L I T I E S A N D S T O C K H O L D E R S' E Q U I T Y			
CURRENT LIABILITIES			
Accounts payable	$ 5,980	$ 6,943	$ 5,962
Accrued compensation and other expenses	2,254	6,489	2,131
Accrued interest payable	38	401	9,592
Income taxes:			
Current	222	-	-
Deferred	4,387	3,920	4,141
Current maturities of long-term debt and capital lease obligations	13,705	13,201	12,467
Senior subordinated notes (includes $15,525 to affiliates)	-	-	80,000
TOTAL CURRENT LIABILITIES	26,586	30,954	114,293
LONG-TERM DEBT	44,328	44,645	50,561
LONG-TERM CAPITAL LEASE OBLIGATIONS	2,391	2,426	2,576
DEFERRED INCOME TAXES	4,410	4,460	5,038
COMMON STOCK WARRANTS	142	142	-
STOCKHOLDERS' EQUITY			
Common stock--par value $.10 per share, authorized 5,000,000, 5,000,000 and 150,000 shares, respectively, issued and outstanding 2,913,562, 2,873,562 and 2,156, respectively	291	287	1
Additional capital	63,699	62,651	20,704
Predecessor basis adjustment			(5,102)
Retained earnings (deficit):			
Accumulated through May 4, 1991			(12,018)
Accumulated from February 1, 1992, subsequent to a deficit elimination of $10,477 on that date	815	-	-
	64,805	62,938	3,585
	$142,662	$145,565	$176,053

PEEBLES INC.

CONDENSED STATEMENT OF OPERATIONS

(dollars in thousands, except per share amounts)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
NET SALES	$ 29,794	$ 29,393
COSTS AND EXPENSES		
Cost of sales	17,479	17,966
Selling, general and administrative (includes depreciation and amortization of $1,362 and $1,418, respectively)	9,499	8,645
	26,978	26,611
OPERATING INCOME	2,816	2,782
OTHER INCOME	20	12
INTEREST EXPENSE (includes amortization of deferred financing costs of $91 and $239, respectively)	1,329	4,956
INCOME (LOSS) BEFORE INCOME TAXES	1,507	(2,162)
INCOME TAXES (BENEFIT)		
Federal, state and deferred	692	(636)
NET INCOME (LOSS)	$ 815	$ (1,526)
Earnings (loss) per share:		
Net Income (loss)	$ .28	$ (707.89)
Average common stock and and warrants outstanding	2,885,857	2,156

See notes to condensed financial statements.

PEEBLES INC.

CONDENSED STATEMENT OF CASH FLOWS

(dollars in thousands)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
OPERATING ACTIVITIES		
Net income (loss)	$ 815	$ (1,526)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	674	673
Amortization	779	984
Changes in operating assets and liabilities		
Accounts receivable, net	3,528	3,741
Merchandise inventories	(2,368)	(4,446)
Accounts payable	(963)	(1,118)
Interest payable	(363)	3,055
Other assets and liabilities	(1,463)	(2,793)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	639	(1,430)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,111)	(475)
Other	169	-
NET CASH USED IN INVESTING ACTIVITIES	(942)	(475)
FINANCING ACTIVITIES		
Proceeds from revolving line of credit and long-term debt	35,640	36,703
Reduction in revolving line of credit and long-term debt	(35,188)	(34,349)
Financing and recapitalization costs	-	(705)
NET CASH PROVIDED BY FINANCING ACTIVITIES	452	1,649
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149	(256)
Cash and cash equivalents beginning of period	97	362
Cash and cash equivalents end of period	$ 246	$ 106

See notes to condensed financial statements.

PEEBLES INC.

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Capital	Retained Earnings (Deficit)
Balance February 1, 1992	2,873,562	$ 287	$ 62,651	$ -
Common stock issued in connection with the Equity Incentive Plan	40,000	4	872	-
Common stock warrants issued in connection with the Equity Incentive Plan	-	-	176	-
Net Income	-	-	-	815
Balance May 2, 1992	2,913,562	$ 291	$ 63,699	$ 815

See notes to condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

PEEBLES INC.

(dollars in thousands, except per share amounts)

NOTE A--ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) necessary for a fair presentation have been included. Operating results for the three-month period ended May 2, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended January 30, 1993, due to the seasonal nature of the business of Peebles Inc. ("Peebles" or the "Company"). For further information refer to the financial statements and footnotes thereto included in the annual report of Peebles for the fiscal year ended February 1, 1992.

On January 31, 1992, Peebles Inc. completed an exchange offer (the "Exchange") pursuant to which Peebles exchanged shares of its common stock, $.10 par value (the "Common Stock"), for all amounts payable, including the accrued interest, pursuant to its 14-3/4% Senior Subordinated Notes Due 1999 (the "Notes"). The Notes were issued by Peebles in July, 1989, to refinance indebtedness incurred in connection with the acquisition of the Company by PBL Acquisition Corp. ("PBL") in January 1989.

The Exchange was part of a recapitalization plan (the "Recapitalization") pursuant to which (i) Peebles Holdings ("Holdings") was merged with and into PBL on December 31, 1991, and PBL was merged with and into the Company on January 23, 1992, with the Company being the surviving corporation (the "Mergers"), and (ii) the Company and its lender, Natwest USA Credit Corp. (the "Bank") entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") on January 31, 1992 which amended certain provisions of the Company's existing credit facility to, among other things, extend its maturity until 1996, reduce the amount of the required principal payments, provide for a limited overadvance facility, revise the covenants to reflect the Recapitalization and increase the level of permissible capital expenditures.

The Mergers: In connection with the Recapitalization, the Boards of Directors of PBL, Holdings and the Company approved the Mergers on November 19, 1991. For each share of PBL common stock, par value $.10 ("PBL Common"), the holder received .0141 shares of Common Stock. For each warrant to purchase one share of PBL Common ("PBL Warrant") held, the holder received .0141 warrants to purchase one share of Common Stock ("Warrant"). A total of 23,573 shares of Common stock and 6,486 Warrants were issued upon completion of the Mergers on January 23, 1992. The sole change in the rights of PBL's shareholders by virtue of the Merger was a change in the jurisdiction of the common stock from Delaware to Virginia.

NOTE A--ORGANIZATION AND BASIS OF PRESENTATION--Continued

The Exchange: Under the provisions of the Exchange, Peebles issued a total of 2,849,989 shares of Common Stock to the holders of the Notes in exchange for all amounts outstanding thereunder. For each $1,000 of principal due under the Notes, the Holder received 35.625 shares of Common Stock. In addition, PaineWebber contributed a portion of the shares it was otherwise entitled to receive to a pool (the "Release Pool"), a pro rata portion of such Release Pool was distributed to each holder of the Notes other than PaineWebber (collectively, the "Non-PaineWebber Noteholders") that tendered a release of claims against PaineWebber, among others, ("Releases") in the Exchange. Therefore, when 100% of the Notes were tendered and accepted in the Exchange and Releases were tendered by 100% of the Non-PaineWebber Noteholders, each $1,000 of principal under the Notes tendered by Non-PaineWebber Noteholders received 38.574 shares of Common Stock, a total of 2,487,041 shares, and each $1,000 of principal under the Notes tendered by PaineWebber received 23.378 of Common Stock, a total of 362,948 shares.

The Credit Agreement: In connection with the Recapitalization, Peebles and the Bank entered into the Credit Agreement to amend and restate the Bank Credit Agreement on January 31, 1992. The Bank Credit Agreement remains in full force and effect except where amended. Under the terms of the Credit Agreement, the maturity was extended to February 1, 1996; the principal payments on the Senior Term Facility ("Term Facility") were reduced to $750 per quarter; and provided for an overadvance facility limited to $5,000 in the fiscal year ended January 31, 1993 and $3,000 in the fiscal year ended January 30, 1994. While the Senior Revolving Facility ("Revolving Facility") has no specific paydown provisions, the overadvance facility must be paid down to zero for a thirty-day period during each fiscal year. The maximum borrowings under the Revolving Facility remains limited to $76 million less outstanding amounts under the Term Facility.

NOTE B--CAPITAL STOCK

The Company has a single class of common stock with a par value of $.10 per share. Each share is entitled to one vote in all matters requiring a vote. On November 19, 1991, the Board of Directors of the Company approved the Amended and Restated Articles of Incorporation (the "Amended Articles"), which authorize the Company to issue up to 5,000,000 shares of Common Stock.

The Amended Articles authorize the Board of Directors of the Company to issue up to 1,000,000 shares of preferred stock, no par value ("Preferred Stock") in one or more series. The designation, preferences, limitations and relative rights of the a series once established is at the discretion of the Board of Directors and governed by the provisions established in the Amended Articles. At May 2, 1992, there were no shares of Preferred Stock issued or outstanding.

NOTE C--COMMON STOCK WARRANTS

As described in Note A, 6,486 Warrants were issued upon completion of the Mergers on January 23, 1992. These warrants are exercisable any time on or after July 15, 1994 (the "Determination Date") for one share of Common Stock at the exercise price of zero dollars ($0.00) per share. All Warrants issued and outstanding existing on July 15, 1999 will be deemed automatically exercised. In the event that certain defined conditions do not occur, the Company is required to repurchase the Warrants at the fair market value of the Common Stock at the Determination Date. Prior to the issuance of common stock, the common stock warrants will be accreted to fair market value and reflected as an adjustment to retained earnings.

NOTE D--EQUITY INCENTIVE PLAN

On April 22, 1992, pursuant to the provisions of the Equity Incentive Plan, the Board of Directors of the Company awarded and allocated 21,000 warrants to purchase one share of Common Stock (the "Management Warrants") to certain key management employees. The exercise price of each Management Warrant is $13.50. These Management Warrants will expire three years from the allocation date, April 22, 1992, and can be exercised at any time subsequent to the allocation provided, however, that they will expire 90 days after the date the holder of a Management Warrant is no longer employed by the Company. The compensation expense associated with the allocation of the Management Warrants was accrued at February 1, 1992. As a result of the allocation, additional capital was increased by $176.

On April 22, 1992, pursuant to the provisions of the Equity Incentive Plan, the Board of Directors of the Company allocated 40,000 shares of Common Stock to certain key management employees. The issuance of these 40,000 shares increased the total shares of Common Stock outstanding to 2,913,562 at May 2, 1992. The compensation expense associated with the allocation of these shares was accrued at February 1, 1992.

NOTE E - INCOME TAXES

Peebles adopted SFAS No. 109, "Accounting for Income Taxes" retroactive to January 28, 1989. The effect of adopting SFAS No. 109 on net income was an increase of $575 ($30.94 per share) for the fiscal year ended February 1, 1992, and a decrease in the net loss of $371 ($172.08 per share) for the three-month period ended May 4, 1991. Certain amounts in these financial statements have been restated as a result of this accounting change.

Differences between the effective rate of income taxes and the statutory rate arise principally from state income taxes and non-deductible amortization relating to certain purchase accounting adjustments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis provides information with respect to the results of operations for the three-month period ended May 2, 1992 in comparison with the three-month period ended May 4, 1991.

For the three-month period ended May 2, 1992, net sales totaled $29,794,000 compared with $29,393,000 for the three-month period ended May 4, 1991, which is a 1% increase. The opening of three new stores and the closing of three stores during and subsequent to the fiscal quarter ended May 4, 1991, had a net positive effect on sales. This increase was partially offset by continued competition in several of the Company's markets, and the continuing recession particularly in the Washington D.C. metropolitan area. The comparable store sales decrease for the three-month period ended May 2, 1992 was 2%.

Cost of sales for the three-month period ended May 2, 1992 was $17,479,000 or 58.,7% of net sales, compared with $17,966,000. and 61.1% in the comparable prior year's three-month period. The decrease in the cost of sales and the cost of sales percentage is due to lower winter clearance markdowns in February of the current fiscal quarter when compared with the comparable period in the prior year.

Selling, general, and administrative expenses, including depreciation and amortization, for the fiscal quarter ended May 2, 1992 were $9,499,000, or 31.9% of net sales, compared with $8,645,000, or 29.4% of net sales for the fiscal quarter ended May 4, 1991. The expenses increased due to operation of the three new stores which typically have higher expenses in relation to sales than mature stores.

Interest expense for the three-month period ended May 2, 1992 was $1,329,000 compared to $4,956,000 for the three-month period ended May 4, 1991. The interest for the prior year's three-month period included accrued interest on the Notes. The accrued interest and the Notes were part of the Exchange which was completed on January 31, 1992. Additionally, the interest rate on the Senior Indebtedness is lower than the previous year due to the prime rate being lower.

As a result of the changes in operating components discussed above, the net income before taxes was $1,507,000 for the fiscal quarter ended May 2, 1992 compared with a net loss of $2,162,000 for the fiscal quarter ended May 4, 1991.

The income tax expense for the three-month period ended May 2, 1992 was $692,000 compared to an income tax (benefit) of $(636,000) for the three-month period ended May 4, 1991. The effective income tax rate for the current period is 45.9% compared to a income tax rate (benefit) of (29.4%) for the prior year three-month period.

The effective tax rate differs from the statutory rate as of the fiscal quarter ended May 2, 1992 primarily due to state income taxes and non-deductible amortization relating to certain acquisition related assets.

As a result of the changes discusses above, net income for the three-month period ended May 2, 1992, was $815,000 compared to a net loss of $1,526,000 for the three-month period ended May 4, 1991.

Liquidity and Capital Resources

As of the fiscal quarter ended May 2, 1992, the cash flow provided (used) by operating activities increased to $639,000 from $(1,430,000) for the fiscal quarter ended May 4, 1991. The Company believes the cash flow generated from operating activities together with funds available under the Credit Agreement will be sufficient to fund the investing activities and the required payments under the Credit Agreement.

During the Recapitalization, many of the Company's vendors and factors required merchandise payments in advance or other forms of collateral in order to guarantee an adequate flow of merchandise. The Company believes the terms under which merchandise is purchased will return to normal during fiscal 1992. As of the end of the first fiscal quarter, many of the vendors and factors have returned to normal terms or are in the process of doing so. This along with the amendments to the Credit Agreement should provide the Company with additional liquidity.

Anticipated business growth, both in terms of increased sales in existing stores and as a result of new store openings, will also require funding of additional working capital of which the Company must depend on internally generated funds and borrowings under the Credit Agreement as discussed below. The Company opened three new stores subsequent to and during the quarter ended May 4, 1991 and plans to open one, five and six new stores in each of the fiscal years ending 1993, 1994, and 1995. Although the amount of working capital required for such new stores cannot be ascertained at this time, the average of the cost of inventory and level of receivables of Company's three most recently opened stores as of May 2, 1992 at Rio Grande, New Jersey (30,000 square feet), Danville-Piedmont Mall, Virginia (34,170 square feet), and Prince Frederick, Maryland (35,000 square feet), was $721,541 and $286,109, respectively. The Company believes that these figures are representative of the current working capital requirements of new stores of comparable size in similar communities. The prototypical Peebles store is approximately 30,000 to 35,000 square feet. Due to the buildup of inventory for Christmas, Easter, and back-to-school seasons, the Company also has seasonal working capital requirements.

In order to finance its operations and capital needs, including its debt service payments, the Company expects to use funds available to it under the Revolving Facility and internally

generated funds. Under the Revolving Facility, the Company may borrow up to the lesser of (i) $76,000,000 less the aggregate amount outstanding under the Term Facility and the aggregate amount of outstanding letter of credit obligations or (ii) a borrowing base which is a percentage of eligible accounts receivable and inventory. As of May 2, 1992, approximately $45,000,000 was available under the Revolving Facility, of which approximately $38,100,000 was drawn as of such date. The Company has seasonal working capital requirements, which it anticipates financing with borrowings under the Revolving Facility. The borrowing base formula for the Revolving Facility is adjusted to accommodate seasonal working capital requirements.

PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

Exhibit 3.1 Amended and Restated Articles of Incorporation of Peebles Inc. *

Exhibit 3.2 Amended and Restated Bylaws of Peebles Inc. *

Exhibit 11.1 Computation of Earnings (Loss) Per Share.

* Incorporated by reference from the Form 10-K of Peebles Inc. for the fiscal year ended February 1, 1992.

b. Reports on Form 8-K

A report was filed on February 3, 1992 reporting Item 5, Other Events.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEEBLES INC.

Date: June 11, 1992

By _____
Michael F. Hoorman
President and Chief Executive Officer (Principal Executive Officer)

By _____
E. Randolph Lail
Chief Financial Officer, Vice President-Finance, Treasurer, and Secretary (Principal Financial Officer)

EXHIBIT 11.1

Peebles Inc.

COMPUTATION OF EARNINGS (LOSS) PER SHARE
(In thousands of dollars, except per share data)

	Three-Month Period Ended	
	May 2, 1992 (Unaudited)	May 4, 1991 (Unaudited) (Restated)
Net income (loss)	$ 815	$ (1,526)
Average shares outstanding	2,878,397	2,156
Average Warrants outstanding	6,486	
Average Management Warrants outstanding	974	
Average shares and warrants outstanding	2,885,857	2,156
Net income (loss) per share	$ .28	$ (707.89)